



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**

*Teachers' Fund for Retirement
State Investment Board*

DESIGNATING YOUR BENEFICIARY AND SURVIVOR BENEFITS

WHY NAME A BENEFICIARY?

Your TFFR retirement plan provides survivor benefit protection for your designated beneficiary(ies) in the form of a lump-sum refund of your account value or a monthly payment. Therefore, members should designate a beneficiary, in writing, for the purpose of directing payment of a claim due to a member's death.

If you are married, you must name your spouse as beneficiary or provide written spousal approval to name an alternate beneficiary. If you are not married, or if you have written spousal consent, you can name any person(s), organization, church, charity, or your estate as beneficiary of your retirement account. However, if more than one beneficiary is named, they are not eligible to receive a monthly annuity for life. A member may also designate a contingent beneficiary.

If you do not designate a beneficiary, death benefits (if any) will be paid to the following:

- Your surviving spouse; if none,
- Your surviving children; if none,
- Your estate.

Certain life occurrences, such as birth, death, or change in marital status, may cause you to consider changing your beneficiary designation. Remember, it is your responsibility to keep your beneficiary designation current. Forms and assistance are available from the Retirement and Investment Office (RIO).

NONRETIRED MEMBERS

Nonretired members (active or inactive) may change their beneficiary at any time. Should you die before retiring, your beneficiary will have the following options concerning your TFFR account:

Nonvested member (less than 3 years):

- Refund of account value.

Vested member (3 years or more):

- Refund of account value
- Monthly annuity for life under 100% joint and survivor (not available if more than one beneficiary is named)
- Sixty (60) monthly annuity payments equal to the member's single life annuity without reduction for age.

Keep in mind that the beneficiary(ies) you name affects the survivor benefit options available. For example, if you are a vested member and die before retiring, here are the options available to your beneficiary(ies):

- *One beneficiary named*
Refund of account value
Monthly annuity for life
Monthly annuity for 5 years
- *Multiple beneficiaries or estate named*
Refund of account value
Monthly annuity for 5 years
**All beneficiaries must select the same option.*
- *No beneficiary named*
Surviving spouse – all options
Surviving child(ren) or estate – refund option only

RETIRED MEMBERS

The survivor benefits your designated beneficiary receives (if any) are based on the plan you select at retirement:

- Single Life Annuity – balance of account value, if any.
- 100% Joint and Survivor Annuity – 100 percent of the monthly annuity to continue to the beneficiary.
- 50% Joint and Survivor Annuity – 50 percent of the monthly annuity to continue to the beneficiary.
- 10-Year Term Certain and Life – remainder of the 120 months of payments, if any.
- 20-Year Term Certain and Life – remainder of the 240 months of payments, if any.
- Level Income – the increased level benefit amount until the member's Level Income age, or the reduced amount after the member would have reached the Level Income age, in accordance with the joint and survivor and term certain options.

Retired members who retire under the single life, 10 or 20-year term certain and life annuity plans may change their beneficiary at any time.

Retired members who select the 100 percent or 50 percent joint and survivor annuity plans can only name one beneficiary at the time of retirement and may not change their beneficiary after retirement. If the 100 percent joint and survivor plan is selected and the beneficiary is not the spouse, the beneficiary must be no more than ten years younger than the member. Under the joint and survivor options, a pop-up provision is available if your beneficiary precedes you in death or a divorce grants you sole ownership of your retirement benefits. Your annuity will convert to the higher single life annuity plan. You may then designate a new beneficiary for contact purposes or for payment of account value, if any. Upon remarriage, you can re-elect a joint and survivor option. Under the single life annuity, ten and twenty year term certain and life options, if a retiree marries, the retiree may also elect to change to a joint and

survivor option. The retiree must provide proof of the retiree's good health and proof of the new beneficiary's age. The monthly benefit will also be actuarially adjusted based on the new beneficiary's age.

It is very important to name a beneficiary for your retirement account. Even if there is no death benefit due to the beneficiary, a contact person is needed to close a deceased member's retirement account. Please keep your beneficiary designation current. Request a beneficiary change form from the administrative office.

DOCUMENTATION

If a member dies, the administrative office should be notified promptly. We will then send the necessary forms to your designated beneficiary. A copy of the following documents must be submitted before survivor benefits can be paid:

- Member's death certificate
- Designated beneficiary's proof of age (if a monthly survivor benefit is selected)

Additional information may be required to process the application for survivor benefits.

TAXES

- *Refund of Account Value*
TFFR is required to withhold 20 percent of the taxable portion of the refund. However, if a surviving spouse, the refund may be paid in a direct rollover to an IRA or an eligible retirement plan to avoid the mandatory 20 percent withholding. (See Special Tax Notice Regarding TFFR Refund Payments.)
- *Monthly Survivor Benefit*
Survivor benefits are taxable as ordinary income under both federal and state law. The survivor will recover the remainder of the previously taxed member contributions by way of monthly exclusion if the deceased member did not already recover the total.

Taxable and nontaxable portions of the annuity are calculated according to a formula provided by the Internal Revenue Service (Simplified General Rule).

A final 1099-R will be issued for the deceased retired member's account the following January. If a survivor begins drawing a monthly benefit, a 1099-R will also be issued for the survivor each year.

Contact a qualified tax advisor for details regarding your tax liability on survivor benefits.

COMMON QUESTIONS

Why must I name my spouse as beneficiary to my retirement account?

In North Dakota, a married person's pension plan is considered to be property of the marriage. Consequently, upon death or divorce, a pension plan may be divided or distributed to a spouse. State statutes require a married TFFR member to name his/her spouse as beneficiary or provide written spousal approval of an alternate beneficiary. It also requires the member's spouse, if designated as beneficiary, to consent in writing to the form of payment option elected by the member at retirement. This protects a spouse's rights to a member's retirement benefit in case of divorce or death.

May I name a contingent beneficiary?

Yes. In the event that both a member and primary beneficiary pass away, the contingent beneficiary will receive any available benefits. If a contingent beneficiary is not named, death benefits (if any) will be paid according to law.

How many beneficiaries can I name?

You may designate up to ten beneficiaries. However, if you name more than one beneficiary, a monthly annuity for life is not an

available survivor benefit option. If more than one person is named as beneficiary, they will share equally in the death benefit (if any) unless specific percentages are designated.

If I name more than one beneficiary, what effect will this have on my retirement options?

If multiple primary beneficiaries are named, the 100 percent joint and survivor and the 50 percent joint and survivor options will not be available.

May I name an organization as my primary beneficiary?

Yes. An organization will be treated as if you had named multiple beneficiaries.

If I divorce, do I need to change my beneficiary?

Yes, if your ex-spouse is currently your beneficiary and you wish to name a different beneficiary (i.e., children, parents, new spouse, etc.). To ensure that your retirement account is handled properly, notify TFFR of your divorce and update your beneficiary designation.

This brochure is a summary of NDCC 15-39.1 and is not intended to provide total information concerning retirement benefits. More detailed information may be obtained by contacting:

**ND RETIREMENT AND
INVESTMENT OFFICE**
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100

Phone: 1-701-328-9885
Toll free: 1-800-952-2970
www.nd.gov/rio

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